

*U. S. Adjustment Corp.*  
*Adjusters for the Companies*

Please reply to:  
40 Fulton Street  
New York, N.Y. 10038  
(212) 267-5100  
Fax (212) 608-4651

**CERTIFIED MAIL – R.R.R.**

December 5, 2006

**Ms. Lisa Miner**  
**Zaragon Holdings, Inc.**  
**875 N. Michigan - Suite 3840**  
**Chicago, IL 60611**

<b>RE: Our File #</b>	<b>48397BK</b>
<b>Insured</b>	<b>Zaragon Holdings, Inc.</b>
	<b>875 N. Michigan</b>
	<b>Suite 3840</b>
	<b>Chicago, IL 60611</b>
<b>Policy #</b>	<b>FCI 003 8380</b>
<b>Loss/location</b>	<b>(Loc 2) 9400 Hurstbourne</b>
	<b>Louisville, KY 40220</b>
<b>Date/Loss</b>	<b>Saturday, September 23, 2006</b>
<b>Type/Loss</b>	<b>Wind</b>

U.S. Adjustment Corporation is the authorized representative of Indian Harbor Insurance Company who issued Commercial Lines Policy FCI 003 8380 to be effective on August 15, 2006 and expiring on August 15, 2007. The policy is subject to a \$10,000 deductible each and every claim.

Per the Location Schedule we are providing coverage for what is known as 9400 Hurstbourne, Louisville, KY 40220.

We received a Loss Notice dated 10/10/06 indicating a Date of Loss of 9/23/06 and indicating that direct physical damage to the roofs from high winds and associated water damage to both exterior and interior buildings.

We have completed our investigation in connection with the claim for the water damage at the above loss location. At this time, we find no coverage exists for this loss and our decision is predicated upon the applicable policy conditions, exclusions and/or limitations.

At this time we would refer you to the Causes of Loss – Special Form – CP 10 30 (04 02 ed), which states as follows:



Seven Newberry Interplex, Suite 115  
U.S. Route 1 & Old Lincoln Highway  
Trevose, Pennsylvania 19053  
(215) 244-9500 \* Fax (215) 244-9501



12/5/2006

Page 2

Our File #: 48397BK  
**Zaragon Holdings, Inc.**

The exclusion reads as follows:

**B. Exclusions**

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

**g. Water**

1. Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
2. Mudslide or mudflow;
3. Water that backs up or overflows from a sewer, drain or sump; or
4. Water under the ground surface pressing on, or flowing or seeping through:
  - a. Foundations, walls, floors or paved surfaces;
  - b. Basements, whether paved or not; or
  - c. Doors, windows or other openings.

Based on the information provided and in referencing the cited exclusions in the contract, we must again inform you that this loss is not a covered event.

We must also refer you to the following:

**Commercial Property Conditions**

This Coverage Part is subject to the following conditions, the Common Policy Conditions and applicable Loss conditions and Additional Conditions in Commercial Property Coverage Forms,

**D. LEGAL ACTION AGAINST US**

No one may bring a legal action against us under this Coverage Part unless:

1. There has been full compliance with all of the terms of this Coverage Part; and
2. The action is brought within 2 years after the date on which the direct physical loss or damage occurred.

**12/5/2006**

**Page 3**

Our File #: 48397BK

**Zaragon Holdings, Inc.**

The Indian Harbor Insurance Company reserves its right to supplement this statement or its position with additional grounds for reserving its rights or defending coverage under its reference policy should any such grounds appear hereafter. This is not intended to be nor should be construed as a waiver of any terms and conditions of the policy or Indian Harbor Insurance Company's right there under all of which continue in full force and effect.

Nothing contained herein waives any rights that the Indian Harbor Insurance Company has under the subject policy or applicable laws all of which rights are reserved including but not limited to the rights to rely upon other basis or grounds for denial of coverage not articulated herein and the rights to investigate this matter should not constitute an admission of coverage.

In accordance with the laws of the Kentucky State Insurance Dept, we are required to advise you of the following: Should you wish to take this matter up with the Kentucky State Insurance Dept, you may write or visit Consumer Service Bureau, Kentucky State Insurance Dept. at 215 W. Main Street, Frankfort, KY 40601 or via phone at (800) 595-6053.

Very truly yours,

**R.J. Keaney, Jr., RPA, Executive General Adjuster**  
**U.S. ADJUSTMENT CORPORATION**  
**rkeaney@usadjustment.com**  
**BK/rm**

cc Indian Harbor Insurance Company  
WKF&C Agency, Inc.  
Atlantic Specialty Lines – Midwest, 1323 Bond Street – Suite 103,  
Naperville, IL 60563  
Rummel Associates Inc, 180 N. LaSalle – Suite 3100, Chicago, IL  
60601